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Program Activity Statement of the Economic Research Area,
Office of Research and Reports

A. Statement of Objectives

The Economic Research activity consists of the formulation and implementation of the Agency intelligence research program relating to economic activities and capabilities, vulnerabilities and intentions on the Sino-Soviet Bloc, and sub-activities engaged in the production of economic intelligence on the Sino-Soviet Bloc

sub-activities are: (a) Direction and programming of economic research conducted in ORR, including policy guidance, substantive review and publication of economic intelligence reports; (b) aggregative economic research and analysis directed toward the production of national and regional studies of the Sino-Soviet Bloc economies and their component parts in terms of capabilities and trends, coordination of and contributions to NIS Chapters I and VI on Sino-Soviet Bloc areas, and development of standardized methods and practices for economic research within the Office; (c) analysis and research on the extent and implications of Sino-Soviet Bloc economic activities in the underdeveloped areas of the Free World; (d) analysis and research on the cost and economic impact of Sino-Soviet Bloc military programs, including guided missiles; (e) analysis and research on the economic aspects of the nuclear energy program of the Sino-Soviet Bloc; (f) all-source research on resources, industry and services directed toward providing extensive coverage and intensive analysis for the various sectors of the Sino-Soviet Bloc economies in support of aggregative economic analysis and in fulfillment of other priority needs for economic intelligence on the Sino-Soviet Bloc, including coordination of and contributions to NIS Chapters VI on the Sino-Soviet Bloc; and (g) provision of current intelligence support to the Economic Defense Intelligence Committee, the Economic Defense Advisory Committee, the Advisory Committee on Export Policy, and the Diversion Control Net with respect to the intelligence aspects of US and multilateral strategic trade controls. These sub-activities are in support of National Intelligence Estimates, current economic intelligence, National Intelligence Surveys, the Economic Intelligence Committee, the Economic Defense Community and other priority consumers.

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B. Accomplishments (Fiscal Year 1958)

1. During FY 1958, close to 60 percent of the total research capability of this activity was devoted to direct support of specific priority intelligence programs and requests. Major contributions and support were provided, within CIA, to the Offices of National Estimates, Basic Intelligence and Current Intelligence, and to the Clandestine Services. The principal external consumers were the Economic Intelligence Committee, the Council on Foreign Economic Policy, the Joint Atomic Energy Intelligence Committee, the Guided Missile Intelligence Committee, the Economic Defense Community, the Operations Coordinating Board, and the Departments of State, Defense and the Air Force.

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3. Production in support of current intelligence reporting on the Sino-Soviet Bloc increased substantially during FY 1958. During the year 617 articles prepared by this activity were published in OCI daily publications, and 163 appeared in the OCI Weekly Intelligence Review. The activity also issued 192 Current Support Memoranda, an increase of 78 percent over FY 1957, and contributed 207 items in support of the IAC Watch Committee. More than 600 articles for OCI daily and weekly publications were reviewed and coordinated, and a number of briefings were prepared for the National Security Council.

h. This activity continued to play an important and active role in the coordination of economic intelligence estimates, research programming and other activities by regular participation in the work of the Economic Intelligence Committee and its Sub-committee structure, including provision of the secretariats for EIC Sub-committees; by active participation in the Economic Defense structure, including provision of the chairman and secretariat of the Economic Defense Intelligence Committee; by the preparation and coordination of appropriate National Intelligence Estimates; and by a number of other formal and informal relationships, both within and outside the Agency.

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5. In connection with contributions to National Intelligence Estimates, this activity devoted a substantial amount of research time to the analysis of the factors causing the slowing-down in the rate of economic growth in the Sino-Soviet Bloc countries and of the nature of their response to this development. This research indicates tentatively that the lowered rate of growth in the USSR was not due entirely to temporary factors, but, more significantly, to a slight shift in priorities in favor of consumption over investment and perhaps also to an increased relative cost of resource development. With respect to China, however, the lower rate of growth in 1957 appears to be a temporary phenomena; the Chinese economy apparently is capable of continued rapid industrialization, subject, however, to a critical uncertainty concerning the ability of the agricultural sector to meet the needs of a rapidly growing population while simultaneously providing the necessary surplus for export to pay for imports of machinery.

6. Important progress was made in the continuing efforts, again largely in support of National Intelligence Estimates, to measure the size and structure of Bloc economies. A comprehensive set of national accounts for the USSR in 1955 was completed, and work was continued on the calculation of ruble-dollar ratios, which will be used in the forthcoming National Intelligence Estimate on the USSR. A set of national accounts has also been prepared for China, and work is underway to develop similar data for the European Satellites.

7. In response to the need for intelligence on the apparent acceleration of scientific development and military technology in the USSR, considerable effort was devoted to the assessment of the economic implications of this development through a rigorous analysis of the Soviet budget. Similar analyses were made to improve estimates of military expenditures, including expenditures on military research and development and atomic energy. In connection with National Intelligence Estimates of Soviet capabilities in the field of guided missiles, this activity was the principal provider of intelligence on the factors affecting operation capabilities, including production, deployment, logistics, training, and costs.

8. In implementation of revised NSC economic defense policy, extensive economic intelligence support was provided at the request of the Economic Defense Advisory Committee for the first comprehensive review of the multilateral trade controls since 1954. This activity also provided intensive support for the substantive preparation of the US delegation to the COCOM meetings held in Paris for the revision of controls on trade between the COCOM countries and the Soviet Bloc.

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10. This activity continued to make significant contributions to intelligence on the economic impact of Bloc military programs, including estimates of military expenditures and the costs of particular military end items, aircraft and naval construction. Research done in this connection contributed to a more realistic reappraisal of Soviet heavy bomber production and current strength.

11. Major research was focused during the year on the economic impact of the Soviet industrial reorganization which took effect in mid-1957. A joint State-CIA appraisal of the overall effects of this change is currently in process, and the results will form an important part of the contribution to the forthcoming National Intelligence Estimate on the USSR.

12. The contribution of this activity to National Intelligence Estimates was broadened during the year as a result of increased capabilities for producing economic intelligence in the fields of nuclear energy and guided missiles. Participation in Estimates on Free World countries also increased in response to the need for intelligence on Bloc economic activities in underdeveloped countries.

13. By the end of the year the Economic Research Area had completed the major part of its responsibility for the preparation of the initial economic sections of National Intelligence Surveys on countries of the Sino-Soviet Bloc.

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16. Demands from US policy-makers for intelligence on Bloc activities in underdeveloped countries of the Free World continued to increase during the year. In response to this need, this activity (in conjunction with the Economic Intelligence Committee) again published a series of biweekly and semi-annual reports in this field, which were widely distributed to interested officials throughout the government, including principal US missions abroad. Significant contributions were made to a number of National Intelligence Estimates on Free World countries where Bloc countries are conducting aid and trade offensives.

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17. The overall efficiency of the Economic Research Area was increased greatly as the result of several major organizational changes which took place during the year. Three branches in the Materials Division were merged to form a new Fuels and Power Branch. Six branches in other Divisions were abolished, and three new branches were created. These reorganizations and other reallocations of positions within ORR made it possible to greatly expand the staff of the Guided Missile Branch without any change in the total personnel strength authorized for ORR.

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19. In collaboration with the Office of Personnel, the program of recruitment of qualified research personnel at major US colleges and universities was continued. This program has resulted in the employment of a number of unusually well-qualified professional personnel by the Economic Research activity and has also been effective in making selected academic leaders aware of and more responsive to CIA personnel requirements.

20. Participation in the Agency's training program was maintained at a high level, with the objective of increasing the research skills and competence of the activity's professional personnel. The training program was directed toward the further development of foreign language competence, intelligence report writing ability, statistical and analytical techniques, area knowledge, and management and supervisory talents.

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21. In conjunction with the Assessment and Evaluation Staff of the Office of Training, a major study was undertaken to determine whether a positive correlation could be established between individuals' test scores under the Agency testing program and their job performance in the Economic Research Area. The results showed such a correlation and indicate that the scores on certain tests have some predictive value in the selection of professional employees.

C. Future Plans

Fiscal Year 1959

1. The Economic Research activity will continue to devote the major part of its research capability during FY 1959 to the support of priority intelligence programs and activities. Comprehensive research programming, already completed for FY 1959, indicates a substantial increase in the proportion of total research time allocated to answering specific consumer requests and recurrent requirements. Approximately 70 percent of the economic research effort is scheduled for direct contributions in support of various consumers, as compared with about 60 percent in 1958. In addition to these direct contributions, the Economic Research Area has programmed a number of basic research projects designed to improve the quality of the contributions, particularly those made to National Intelligence Estimates.

2. About 30 percent of the research capability of this activity will be required for the preparation of contributions to National Intelligence Estimates. The ERA's participation in this program has been continuously enlarged during the past several years, a trend indicative of the greater recognition of the significance of economic factors in National Intelligence Estimates. In FY 1959 a greatly increased effort will be given to contributions to the estimate of Soviet capabilities in guided missiles and space vehicles and to the various estimates involving the magnitude and effects of Bloc economic penetration of underdeveloped countries.

3. Contributions to the NIS program during FY 1959, to which about 11 percent of available research hours have been allocated, will represent in major part the implementation of a 4-year maintenance cycle for keeping current the basic NIS sections on the economies of countries of the Sino-Soviet Bloc. A program of preparing Annual Supplements to these sections will be initiated experimentally in FY 1959.

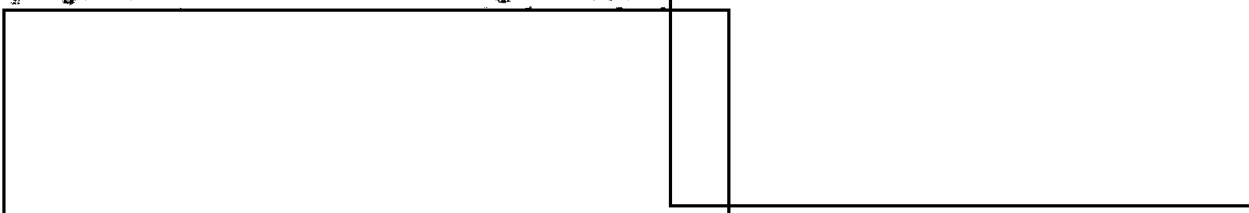
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4. Several major basic research studies initiated in FY 1958 will be completed during FY 1959, including an analysis of the relationship between the availability and cost of raw material and energy in the USSR and the rate of economic growth, a study of the economic effects of the industrial reorganization in the USSR, an assessment of the role of the Soviet eastern area development program in future economic growth, and studies of the patterns of consumption of petroleum products and electric power in the Soviet Union. Basic research in other fields will be directed toward filling the more important gaps in US economic intelligence on the Sino-Soviet Bloc, particularly those gaps already identified by EIC Subcommittees. In accordance with the recommendations of a Panel of Consultants who reviewed the research program planned for FY 1959, a number of these projects will be oriented toward analyses of the long-range future of the Soviet economy and will pay attention to the relevant political and sociological factors that may affect long-range economic policy.

5. The research program for FY 1959 calls for a greatly expanded effort on the economic aspects of Soviet programs for guided missiles and space vehicles, directly or indirectly in support of the National Intelligence Estimate in this field. Through simultaneous research on a number of coordinated projects, an attempt will be made to identify the principal organizations and facilities engaged in the Soviet guided missile production program and to determine the capabilities of various industrial sectors of the economy to support the program. Major attention will also be given to the support of collection activities in this field through the preparation of guides and other aids of various kinds.

6. The program of external research, which is an important adjunct to CIA's economic research effort and which is making significant contributions to US knowledge of the economies of the Sino-Soviet Bloc, will be expanded considerably during FY 1959. The greater availability of unclassified economic data on these areas will add to the value and feasibility of research conducted by external contractors. The FY 1959 external research program, which has been planned and closely integrated with the research programming of the Economic Research activity, consists of extensions of three projects already in progress and 11 additional projects to be initiated during FY 1959.



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7. In the field of personnel management, a comprehensive review of the training requirements of the Economic Research activity is planned for FY 1959. This will be the first step in an effort to develop an integrated, long-term program of both internal and external training designed to equip the professional personnel of this activity to perform more effectively the economic intelligence research and reporting mission.

Fiscal Year 1960

1. It is anticipated that requirements for economic intelligence on the Sino-Soviet Bloc will require programming and production at about the same level as in FY 1959. The major part of the economic research effort will again be directed toward meeting priority consumer requests, particularly in connection with the program of National Intelligence Estimates. While the National Intelligence Survey program will continue to require a substantial amount of time, nearly all of these contributions will be on a maintenance basis by FY 1960. No diminution is expected in the amount of support which this activity will be required to give to IAC Committees and other units concerned with Bloc capabilities with respect to nuclear energy and guided missiles. The character of the economic research program will be governed to a considerable extent by world developments in the interim, including the extent of progress toward achieving and implementing a broad disarmament and inspection agreement.

2. The completion by the end of FY 1959 of a number of basic research studies bearing on the growth potential in Bloc countries will permit the Economic Research Activity to give considerable attention in its research program for FY 1960 to analyses of long-range economic problems and prospects under alternative assumptions concerning economic and political policies.

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4. The Economic Research Activity will continue to give priority attention to improving the management and quality of its research programming and production, including the introduction of new research techniques and methodologies, continued efforts to increase the skill and effectiveness of the professional and clerical personnel at all levels, and administration of the research effort with sufficient flexibility to permit rapid adjustment to changing national intelligence requirements.

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